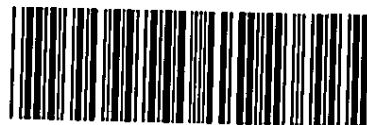


BAE SYSTEMS (OMAN) LIMITED

Directors' report and financial statements

31 December 2012

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BAE SYSTEMS (OMAN) LIMITED

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BAE SYSTEMS (OMAN) LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2012

BUSINESS REVIEW AND PRINCIPAL ACTIVITY

The principal activity of the Company during the year was the provision of aircraft spares

In December 2012 the Company was awarded a contract for the provision of Typhoon and Hawk Aircraft and attendant Support Services to the Sultanate of Oman

The Company's loss for the financial year is £65,122 (2011 profit £13,767) The directors do not propose payment of a dividend (2011 £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks The Company is part of the BAE Systems plc group and the principle risks and uncertainties affecting the Group are discussed in more detail in the annual report of the Group The Directors do not consider that there are additional specific principal risks and uncertainties at the Company level

KEY PERFORMANCE INDICATORS

The Company is part of the BAE Systems plc Group and the key performance indicators used to monitor and review the business are set by the Group and discussed in more detail in the annual report of the Group The following additional key performance indicators have been used to review and monitor the Company

	2012	2011
	£'000	£'000
Orderbook	2,540,407	840
Order Intake	2,541,327	1,545
Sales	1,760	705
(Loss) Profit before tax	(65)	14
Return on Sales	(4)%	2%

GOING CONCERN

The directors have reviewed the current activity, future prospects and resources available to the Company On the basis of their assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

FUTURE OUTLOOK

The Directors are confident about the future prospects of the Company

Following on from the award of a contract to provide Typhoon and Hawk aircraft and attendant support services to the Sultanate of Oman the Company's strategic plan is to continue to develop further opportunities in the sale of defence related products and services to the Oman market

BAE SYSTEMS (OMAN) LIMITED

DIRECTORS' REPORT (CONTINUED)

SUPPLIER PAYMENT POLICY

It is Company policy that suppliers should be paid in accordance with the payment terms and conditions stated in the applicable purchase order. The Company, together with other BAE Systems companies in the UK, is a signatory to the government's Prompt Payment Code, under which it has undertaken to pay suppliers on time, give clear guidance on payment procedures and encourage the adoption of the code throughout its supply chain.

Supplier payments are made by another entity in the Group on behalf of BAE Systems (Oman) Limited.

DIRECTORS

The Directors who held office during the year and up to the date of signing the report were:

Mr P A Carr

Mr A K Gilchrist (resigned 4 June 2013)

Mr D A Cole (appointed 31 March 2012)

Mr I G King (appointed 6 December 2012)

Mr M J Wills (resigned 31 March 2012)

Sir Simon Bryant KCB CBE (appointed 4 June 2013)

POLITICAL AND CHARITABLE DONATIONS

There were no political or charitable donations made in the year (2011 £nil).

DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

KPMG Audit Plc has indicated its willingness to continue in office and in accordance with section 487 (2) of the Companies Act 2006 has been reappointed.

By Order of the Board



D S Parkes

Secretary

14 June 2013

Registered Number 03135337

Registered Office

Warwick House

PO Box 87

Farnborough Aerospace Centre

Farnborough

Hampshire

GU14 6YU

BAE SYSTEMS (OMAN) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of BAE Systems (Oman) Limited

We have audited the financial statements of BAE Systems (Oman) Limited for the year ended 31 December 2012 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



J. Costello
(Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
KPMG Audit Plc
St James Square
Manchester
M2 6DS
United Kingdom
14 June 2013

BAE SYSTEMS (OMAN) LIMITED**PROFIT AND LOSS ACCOUNT**
For the year ended 31 December

	Note	2012 £'000	2011 £'000
TURNOVER	2	1,760	705
Operating costs		(1,825)	(691)
OPERATING (LOSS)/ PROFIT	3	(65)	14
(LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(65)	14
Taxation on (loss)/ profit on ordinary activities	4	-	-
(LOSS)/ PROFIT FOR THE FINANCIAL YEAR	9	(65)	14

There is no difference between the (loss) / profit on ordinary activities before taxation and the (loss)/ profit for the year stated above, and the historical cost equivalents

There were no recognised gains or losses for the period other than those reported above

The results for 2012 and 2011 arise from continuing activities

The notes on pages 8 to 11 form an integral part of these financial statements

BAE SYSTEMS (OMAN) LIMITED

BALANCE SHEET

As at 31 December

	Note	2012 £'000	2011 £'000
CURRENT ASSETS			
Stocks	5	33,014	-
Debtors	6	968,021	265
Cash at bank and in hand		-	440
		<u>1,001,035</u>	<u>705</u>
CREDITORS' amounts falling due within one year	7	<u>(1,001,086)</u>	<u>(691)</u>
NET ASSETS		<u>(51)</u>	<u>14</u>
CAPITAL AND RESERVES			
Profit and loss account	9	<u>(51)</u>	<u>14</u>
SHAREHOLDER'S FUNDS		<u>(51)</u>	<u>14</u>

These financial statements were approved by the Board of Directors on 14 June 2013 and were signed on its behalf by



DA Cole

Director

Registered Number 03135337

The notes on pages 8 to 11 form an integral part of these financial statements

BAE SYSTEMS (OMAN) LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

As at 31 December

	2012 £'000	2011 £'000
(Loss)/ profit for the financial year	(65)	14
Opening shareholder's funds	14	-
Closing shareholder's funds	(51)	14

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS

As at 31 December

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The going concern basis has been applied in these accounts.

Cash flow statement

Under the terms of Financial Reporting Standard 1 - Cash Flow Statements (revised), the Company is exempt from the requirement to publish its own cashflow statement because it is a wholly owned subsidiary and its cash flows are included within the publicly available consolidated financial statements of its ultimate parent, BAE Systems plc.

Turnover and profit recognition

Turnover comprises the value of work completed, goods supplied or services rendered during the year, net of value added tax.

Goods supplied and services rendered

Sales of goods and provision of services not under a long-term contract are recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer and revenue and costs can be reliably measured.

Stocks and contracts in progress

Stocks are stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Long-term contract balances are stated at cost less provision for anticipated losses. Appropriate provisions for any losses are made in the year in which they are first foreseen. The amount of profit attributable to the stage of completion of a long-term contract is arrived at by reference to the estimated overall profitability of the contract.

Foreign currencies

Transactions in foreign currencies are translated at the rate of exchange rate ruling at the date of the transaction or, where forward cover contracts have been arranged, at the contracted rates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes account of taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on an undiscounted basis in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date where there is an obligation to pay more tax, or a right to pay less tax, in the future.

Related Parties transactions

As the Company is a wholly owned subsidiary of BAE Systems plc, the Company has taken advantage of the exception contained in Financial Reporting Standard 8 – Related Party Disclosures, and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Company is a wholly owned subsidiary of BAE Systems plc, therefore it is exempt from presenting Financial Reporting Standards 29 – Financial Instruments Disclosures, as full equivalent disclosures are presented on a Group basis within the consolidated financial statements

Segmental reporting

Under SSAP 25 the Company is exempt from making segmental disclosures as its parent company provides segmental information under IFRS

2. TURNOVER

The turnover and pre-tax loss, is attributable to one activity, the sale of aircraft spares

3. OPERATING LOSS

The auditor's remuneration for the period ended 31 December 2012 was borne by a fellow Group company, BAE Systems (Operations) Limited

4. TAXATION

The Company has not provided for corporation tax for the year as any profits will be covered by the surrender of losses from other Group companies, in respect of which no payment is to be made

The current tax (charge) for the year differs from the standard rate of corporation tax in the UK as explained below

	2012 £'000	2011 £'000
Profit/ (loss) before taxation	(65)	14
	<hr/>	<hr/>
Tax (charge)/ credit on profit/ loss at UK rate of 24.5% (2011 – 26.5%)	16	(4)
Provisions	(25)	-
Imputed interest (income)	(404)	-
Group relief received free of charge	413	4
	<hr/>	<hr/>
Current tax (charge) for the year	-	-

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

4 TAXATION (CONTINUED)

Provision for deferred tax is not required. The deferred tax asset which has not been recognised in the accounts is made up as follows:

	2012 £'000	2011 £'000
Provisions and accruals	23	-
	<hr/>	<hr/>

The unrecognised deferred tax asset will be recovered if there are sufficient future profits.

Note

Under the Finance Act 2012, the main rate of UK corporation tax was reduced from 25% to 24% with effect from 1 April 2012 and from 24% to 23% with effect from 1 April 2013. The tax rate change to 23% was substantively enacted by the balance sheet date and therefore the effect of the rate reduction on the deferred tax asset as at 31 December 2012 has been included in the figures above.

The Chancellor has also announced further reductions in the main rate of UK corporation tax to 21% with effect from 1 April 2014 and to 20% from 1 April 2015. The overall effect of these changes would be an additional reduction in the deferred tax asset of approximately £3K. These adjustments have not been reflected in the figures above as the tax rate changes were not substantively enacted at the balance sheet date.

5 STOCKS

	2012 £'000	2011 £'000
Work in progress	33,014	-
	<hr/>	<hr/>
	33,014	-
	<hr/>	<hr/>

6. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Trade debtors	875	265
Amounts owed by ultimate parent undertaking	967,146	-
	<hr/>	<hr/>
	968,021	265
	<hr/>	<hr/>

BAE SYSTEMS (OMAN) LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £'000	2011 £'000
Owed to fellow subsidiary undertakings	1,086	691
Customer stage payments relating to long term contracts	1,000,000	-
	<u>1,001,086</u>	<u>691</u>

8. DIRECTORS AND EMPLOYEES

The Directors are full time executives of other Group companies. They do not receive any remuneration for their services as directors of the Company and it is not practicable to allocate their emoluments for other services.

9. RESERVES – PROFIT AND LOSS ACCOUNT

	2012 £'000	2011 £'000
At 1 January 2012	14	-
(Loss)/ profit for the financial year	<u>(65)</u>	<u>14</u>
At 31 December 2012	<u>(51)</u>	<u>14</u>

10. ULTIMATE PARENT UNDERTAKING

The Company's immediate parent undertaking is BAE Systems (Holdings) Limited.

The Company's ultimate controlling entity is BAE Systems plc, incorporated in Great Britain and registered in England and Wales.

BAE Systems plc is the parent undertaking of the largest group of undertakings of which the Company is a member for which group accounts are prepared. Copies of the accounts of BAE Systems plc are available from its registered office at 6 Carlton Gardens, London SW1Y 5AD.